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SUBJECT: AMBASSADOR RAISES COKE, NIKE COMPLAINTS WITH TRADE
MINISTER

Sensitive but unclassified. Please handle accordingly.

¶1. (SBU) SUMMARY: Ambassador met November 23 with Minister of Trade Rachid Rachid to discuss two ongoing complaints by US firms, Coca Cola and Nike. In Coke case, which Rachid described as a commercial dispute rather than a trade mark issue, he gave his assurances that his ministry would not intervene on the side of either party to the dispute as long as the case was in the courts. Rachid was well aware of Nike's concerns about the Egyptian requirement that labels be sewn into items imported into Egypt, and said the labels were for the protection of the exporters, but said he would be willing to discuss other options with Nike. END SUMMARY.

¶2. (SBU) The Ambassador asked Minister of Trade Rachid about the status of an ongoing dispute that Coca Cola is having with its former bottler, SONUT, a prominent Egyptian bottling company. She said that while she understands that the case is in the courts, that it is important that Coca Cola get some immediate, short term legal relief as the case could drag on for some time. Rachid responded that he was very familiar with the case, and, having been a licensed bottler himself in the 1970s, knew both the Coke and the SONUT officials personally. He said Egypt is pleased to have Coke operating in Egypt, and that the company has been a very successful one. At the same time, he said, SONUT is a very distinguished Egyptian firm. He was disappointed that the two sides had not been able to reach an amicable agreement and that they had wound up in court. He is also concerned that Coke appears to be turning to the 301 process for redress, when the case is not a trademark case but in fact a commercial, contractual dispute. He said that his ministry would provide all reasonable protection to Coke but would not step into the legal case.

¶3. (SBU) If, Rachid said, a third company had started bottling beverages using one of the Coke trademarks, Egypt would not hesitate to enforce the case as a trademark infringement. In this case, however, SONUT had been the licensed bottler for the products in question and that the two companies disputed whether or not the contract was still in force. Coke says that they have cancelled the contract, and awarded it to another bottler, which is now producing under license. SONUT claims that the contract has not, in fact, been cancelled and that they still have the exclusive right to produce Coke products in Egypt. Coke says the syrup is adulterated that SONUT is using is adulterated; SONUT says it is from their legitimately-acquired Coke stocks. Rachid said that he had had both sides in his office and tried to work out a compromise but had been unsuccessful, and that the dispute had turned "ugly."

¶4. (SBU) In response to Coke's charged that the SONUT production is adulterated and unfit for human consumption, Rachid said that this was something his labs were capable of addressing. What they could not do, he said, was determine if the SONUT production was a legitimate Coke product, from a chemical point of view, or not. The Ambassador noted that the ministry's own enforcement officers had been to the new bottling company with which Coke had signed a contract, had shut them down and confiscated their stocks. Rachid acknowledged that this had happened, but that as soon as he had

heard about it he had overturned the action. The ministry had since returned everything that had been seized, and Rachid had written to the judge noting that the action had been in error. Now, Rachid said, his ministry is under orders to not to interfere with Coke's bottling operations, or on behalf of SONUT, and to await the outcome of the legal process. For this, he said, he is taking some heat politically as the Egyptian Federation of Industry and others have tried to intercede on SONUT's behalf. In the meantime, the case has been assigned to one of the economic courts and he is hoping for a quick resolution of the case.

Labeling

15. (SBU) The Ambassador also raised concerns expressed to us by Nike about Egypt's labeling laws, which require importers to sew a permanent label into textiles. The manufacturers have complained that this adds time and cost to shipments into Egypt. Rachid said that he had discussed this rule with Nike, and said that the purpose of the law is to protect legitimate suppliers. He said that the label prevents others from flooding the market with counterfeit, or unlicensed goods. What can happen, according to Rachid, is that sub-contract manufacturers in China, for example, gather up all the production at the end of the year that hasn't been shipped for Nike including products rejected by Nike, and sell it as legitimate Nike production. To address Nike's concerns, Rachid agreed that any permanent label or sticker would serve the same purpose, "as long as it isn't something they can put on in the store" and that he would be happy to talk to Nike if they had some other proposal.

Scobey